

There are doubts about Syriza's plans for recovery in Greece, but refocusing on upmarket tourism might offer a new growth strategy.

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*Alexis Tsipras, the president of the Left-wing Syriza party in Greece, recently visited the LSE for a lecture and seminar. **Bob Hancké**, who attended the event, raises some questions about Syriza's plans for recovery. He also reopens the debate on Greek exports in the tourism industry, arguing that Greece might be able to generate new growth by upgrading its tourist facilities.*



Syriza is sitting first or second in the Greek opinion polls, supported by social mobilisation in the streets of Athens and other cities, which may bring down the government – especially if the troika of the IMF, ECB and European Commission [insist on draconian cuts](#). That means that by the summer, Greece may have a new government run by Syriza's president, Alexis Tsipras. His views matter, therefore, not just because they are important in Greece, but also because Greece is still a very weak link in the EMU chain. The most important news first: Syriza does not want Greece to leave the Eurozone, and is committed to getting the Greek house in order while renegotiating a new package with the troika. That should put some oil on the waves and buy the euro more time, possibly until after the German election. For a consensus is growing among observers that Greece will receive another debt restructuring, but almost certainly not before Merkel is safely installed again in Berlin. The effectiveness of these calming words, though, depends on their credibility. And there are problems here.

First of all, while much of the analysis by Syriza is sound enough, their proposals for reform are vague. The party points out that the euro crisis is a systemic crisis of the financial system, the architecture of the euro, and the governance of the single currency and beyond. They accept that Greece is a problematic polity. But the party's reform ideas do not go much beyond generalities on the need for, for instance, public sector reform or educational reform. Syriza faces a classic political economy problem here: its key electoral constituencies are also the ones in sectors that require, perhaps, most reform. Put differently, the party runs the risk of speaking for the 99 per cent in the analysis of the problem, but remains beholden to vested interests in its strategies because of the cold logic of electoral calculations.

Secondly, and in fairness, the party's economic policy team seems to have put some thought into the crucial current account problem that Greece faces: it imports massively more than it exports, which is probably one of the [root causes](#) of the Greek crisis. A system of regional savings banks would support the upgrading and growth of small companies in manufacturing and associated services, while educational institutions would provide these companies with skills. If all goes well, these companies would then fill the export gap and rebalance the books. But not all will go well. It has been very difficult for far more advanced capitalist economies such as France and Italy, and economies with the closest thing to a blank slate in Central Europe, to emulate the German growth machine. Greece also has a particularly weak industrial base to start from. It exports agricultural products and low-end intermediate goods such as textiles, and the latter makes up only about five, perhaps ten per cent of Greek GDP. While correct in a Utopian world in which we can all simply 'choose' our economic model, these reforms are very, very hard to imagine in the real world. 'If I wanted to get there, I wouldn't start from here', as the saying goes.

But there is a silver lining in this whole story, as my colleagues Jonathan Hopkin, David Soskice and I discovered when discussing this. Tourism is already one of Greece's main export industries. I explained [last year](#) that I do not expect much from a competitive cut in prices in this sector: too much of the economy depends on the stable price of a hotel room, and it would simply invite Turkey and other Mediterranean countries to do the same.

The upgrading idea, however, does have a future in the tourism sector, precisely because it grabs the competitiveness problem from the opposite angle. Imagine that Greece decides to dramatically upgrade its tourism facilities to attract pensioners from the north of Europe (and assume, for the moment, that it can do so as a result of debt restructuring). There are plenty of positive spill-overs associated with this. The construction sector would have to move up-market from cheap hotels to more solid housing. That would imply an educational reform as well: you need to find highly skilled personnel, with improved language, organisational and social skills, to cater to that new clientele. It would require a reform of the health sector to deal with these new, more demanding patients, which involves up-skilling and retraining nurses and their assistants, doctors and (helpful) administrators.



Alexis Tsipras, Credit: Frangisco Der (CC BY 2.0)

The sector will grow, while everyone contributing to this up-market tourism becomes more productive, and can therefore be better paid: private consumption will take off without increasing debt as in the past. The central government would learn that public sector employment is not a substitute for welfare, and that it needs to think about enabling a vibrant private sector to emerge. And, possibly most beautifully, it would entail fiscal transfers from Germany to Greece, with a smile.

There is a small danger associated with this. Economic monocultures are not a good idea because they might make you artificially more vulnerable than you'd have to be. However, as the Baltic countries have demonstrated, if your economy is small enough, and the niche you occupy is sufficiently protected, such a strategy might work. Greece might just be in that position.

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